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UNCLAS ISTANBUL 000467

SIPDIS

E.O. 12958: N/A

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SUBJECT: ISTANBUL WORRIES ABOUT WAR, U.S.-TURKEY TIES, ECONOMY

1. (U) Summary: With apparently over ninety percent of the local population opposed to the war in Iraq, anti-war sentiment in Istanbul continues to harden as reports and images of civilian casualties stream in over the sympathetic news networks. Among Istanbul's academic and business elite, however, fears of a breakdown in U.S.-Turkish relations and its consequences for Turkey have replaced Iraq as the primary concern. The only issue that seems to span the sharp divide between the concerns of the man in the street and the elite is a shared nervousness about the government's ability to manage an already-battered economy in the face of additional shocks from the war. End Summary.

2. (U) Media coverage of the coalition operations in Iraq has largely reinforced the prevailing anti-war sentiment in Istanbul. Local television stations have focused predominantly on civilian casualties, reports of coalition setbacks, and regional opposition to the war. Although our contacts with average Turks have elicited responses ranging from apathy to antipathy, the general mood among working-class (and unemployed) Istanbul residents remains decidedly anti-war. Pointing to the coalition's failure to find evidence of chemical and biological weapons, almost all Turks here question the U.S.'s justification for war. Students stubbornly cling to their mantra of "no blood for oil," while residents of more conservative and religious neighborhoods voice their concerns about an "anti-Muslim crusade." Although very few have a kind word to say about Saddam and his regime, they point gloomily to the difficulties involved in managing a post-Saddam Iraq and the regional resentment that is being provoked by the U.S.'s presence.

3. (U) The preoccupations of our business, academic and media contacts, however, have shifted dramatically in recent days. Following weeks of negotiations and the parliament's refusal to allow the U.S. to transport troops and equipment to northern Iraq, the Istanbul elite is now focused on the "crisis" in U.S.-Turkish relations. Discussions of "what went wrong?", "who is to blame?", and "is the strategic partnership dead?" have replaced arguments over whether the war in Iraq is justified. At an April 2 Marmara Group conference on U.S.-Turkish relations, a panel of retired generals, senior diplomats, and business leaders skirted the case for war, but came out strongly in favor of maintaining the strategic partnership. Former Foreign Minister Emre Gonensay argued that, given its friendship with the U.S., Turkey should have stood by the U.S. in Iraq. Echoing the comments of other panelists, retired General Necdet Timur remarked that two months of disagreement cannot be allowed to undermine a 50-year old strategic relationship.

4. (U) The only unifying theme in our discussions throughout Istanbul has been the universal, even overriding, concern about the fragile economic situation. "Turkey must solve its economic problems... without a healthy economy, foreign policy is irrelevant," said former diplomat and DYP Vice Chairman Mehmet Ali Bayar at the Marmara Group conference. Investment analysts, bankers, and economists are skeptical about the AK government's ability to implement the IMF program. Many of them now argue that the risk of loan default or restructuring has risen. Sentiment has improved in the wake of Secretary Powell's visit and the renewed prospect for U.S. assistance, but all eyes are on AK's economic efforts. Almost everyone worries about the potentially damaging impact that the war in Iraq is likely to have on Turkey's economy. Local merchants and restaurant owners claim they are already feeling the pinch of contracting tourism. Grocers, taxi drivers, security guards, and other working-class Turks in Istanbul bemoan their economic plight and hope for a rapid conclusion to the war.

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